SENATE RECORD VOTE ANALYSIS

105th Congress — June 27, 1997, 9:55 am
1st Session — **Vote No. 140** — Page S-6672 Temp. Record

TAXPAYER RELIEF ACT/"Refundable" Child Credit

SUBJECT: **Taxpayer Relief Act of 1997 . . . S. 949. Kerry motion to waive the Budget Act for the consideration of the Kerry amendment No. 554.**

ACTION: MOTION REJECTED, 39-60

SYNOPSIS: As reported, S. 949, the Taxpayer Relief Act of 1997, will provide net tax relief of $76.8 billion over 5 years and $238 billion over 10 years. The cost will be more than offset by the economic dividend ($355 billion over 10 years) that will result from balancing the budget in fiscal year (FY) 2002. This bill will enact the largest tax cut since 1981 and the first tax cut since 1986. It will give cradle-to-grave tax relief to Americans: it will give a $500-per-child tax credit, education tax relief, savings and investment tax relief, retirement tax relief, and estate tax relief. Over the first 5 years, approximately three-fourths of the benefits will go to Americans earning $75,000 or less. It will eliminate a third of the increased tax burden imposed by the 1993 Clinton tax hike, which was the largest tax hike in history.

The Kerry amendment would phase out eligibility for the $500 per child tax credit for taxpayers with income between $60,000 and $75,000, whether filing jointly or singly, would phase in eligibility for the credit for children between the ages of 13 and 17, and would make the credit fully "refundable" against payroll (Social Security and Medicare) taxes up to the point those taxes were fully offset. ("Refundability" refers to giving back an income tax refund that is in excess of the amount that has been collected from an individual in income taxes. The Earned Income Credit (EIC) under current law already makes the income tax "refundable." The EIC benefit phases out as income rises. The maximum benefit is $3,680. Some individuals have their income and payroll taxes more than fully offset by the EIC. In other words, they pay neither income taxes nor payroll taxes, plus they get extra cash from the Government. As the bill is drafted, the child credit, in effect, will increase the EIC refundable credit under the "half stack" proposal. Under that proposal, a taxpayer will first determine his income tax liability, and will then determine his EIC credit. Half of the EIC credit will then be subtracted from the income tax liability, and the child credit will be applied against the remaining income tax liability, if any. Then the remainder of the EIC credit will be applied. For example, if a taxpayer had an income tax liability of $1,000, and an EIC

(See other side)

YEAS (39)			NAYS (60)			NOT VOTING (1)	
Republicans (4 or 7%)	**Democrats (35 or 80%)**		**Republicans (51 or 93%)**		**Democrats (9 or 20%)**	**Republicans (0)**	**Democrats (1)**
Coats	Akaka	Johnson	Abraham	Hutchinson	Baucus		Durbin-2
Collins	Biden	Kennedy	Allard	Hutchison	Bryan		
Jeffords	Bingaman	Kerry	Ashcroft	Inhofe	Byrd		
Specter	Boxer	Kohl	Bennett	Kempthorne	Graham		
	Breaux	Landrieu	Bond	Kyl	Kerrey		
	Bumpers	Lautenberg	Brownback	Lott	Lieberman		
	Cleland	Leahy	Burns	Lugar	Moseley-Braun		
	Conrad	Levin	Campbell	Mack	Moynihan		
	Daschle	Mikulski	Chafee	McCain	Rockefeller		
	Dodd	Murray	Cochran	McConnell			
	Dorgan	Reed	Coverdell	Murkowski			
	Feingold	Reid	Craig	Nickles			
	Feinstein	Robb	D'Amato	Roberts			
	Ford	Sarbanes	DeWine	Roth			
	Glenn	Torricelli	Domenici	Santorum			
	Harkin	Wellstone	Enzi	Sessions			
	Hollings	Wyden	Faircloth	Shelby			
	Inouye		Frist	Smith, Bob			
			Gorton	Smith, Gordon			
			Gramm	Snowe			
			Grams	Stevens			
			Grassley	Thomas			
			Gregg	Thompson			
			Hagel	Thurmond			
			Hatch	Warner			
			Helms				

EXPLANATION OF ABSENCE:
1—Official Business
2—Necessarily Absent
3—Illness
4—Other

SYMBOLS:
AY—Announced Yea
AN—Announced Nay
PY—Paired Yea
PN—Paired Nay

Compiled and written by the staff of the Republican Policy Committee—Larry E. Craig, Chairman

credit of $1,200, half that credit would be subtracted from the $1,000 liability, and $400 of the child credit could be applied against the remainder. The taxpayer would then take the remained of the EIC credit. The bill also will phase the credit out at higher income levels and will phase it out more slowly, and will have higher phase-out rates for married taxpayers. It will not phase in eligibility for teenagers, except that 17-year-olds will not be eligible until 2002.)

Debate on a first-degree amendment to a reconciliation bill is limited to 2 hours. Debate was further limited by unanimous consent. After debate, Senator Domenici raised the point of order that the amendment violated section 302(b) of the Budget Act because it would increase spending above the allocated amounts (it would increase outlays (spending) by $22 billion over 5 years and by $47 billion over 10 years). Senator Kerry then moved to waive the Budget Act for the consideration of the amendment. By unanimous consent, some debate was permitted on the motion to waive. Generally, those favoring the motion to waive favored the amendment; those opposing the motion to waive opposed the amendment.

NOTE: A motion to waive the Budget Act requires a three-fifths majority (60) vote to succeed. Following the failure of the motion to waive, the point of order was upheld and the amendment thus fell.

Those favoring the motion to waive contended:

Most of the benefits in this bill will go to wealthier Americans. Almost none of the tax relief will go to the neediest working families. The Kerry amendment would fix this problem. It would make the $500-per-child tax credit fully refundable. Payroll taxes would be counted as income for purposes of determining the credit that could be taken. After the credit was taken, parents would determine their EIC credits. To pay for the cost of the proposal the child tax credit would be phased out starting at $60,000 instead of at $75,000 and eligibility for teenagers would be gradually phased in. Making this change would make 7 million more American children from working, low-income families eligible for the credit. We remind our Republican colleagues that when they were pushing for this $500 child tax credit as part of the Contract With America they wanted it to be fully refundable. They were right in wanting it to be refundable; they should not have changed their minds. We urge them to again reconsider their position, and to join us in waiving the Budget Act for the consideration of the Kerry amendment.

Those opposing the motion to waive contended:

The EIC has been growing at an exponential rate. It started as a "refundable" income tax credit that gave back money that was never paid in income taxes, on the rationale that low-income working Americans were paying more than they could afford in Social Security and Medicare taxes (or "contributions"). The refundable benefit has grown to the point that the maximum credit is now equal to 40 percent of the income of the person receiving it. People who receive the maximum credit now get EIC income tax refunds that are greater than the total amounts they have had deducted from their paychecks in both income and payroll taxes. This bill, in a compromise provision, will make some beneficiaries of the EIC eligible to take advantage of the child tax credit in whole or in part. Our colleagues do not think that compromise is enough--they want to make the EIC fully refundable. We are not willing to join them. Their proposal would deny relief to average working Americans who have teenagers and it would deny relief entirely to many other Americans who have incomes of more than $60,000 in order to give more money to people who do not pay any income taxes. Their proposal is not a tax relief proposal--it is a proposal for the Government to engage in income redistribution. It would eliminate tax relief, and by giving money to people who did not pay taxes, it would spend money, and it would spend quite a bit. Over 10 years, this amendment would increase outlays by a huge $47 billion. We are not about to waive the Budget Act to consider an amendment that would try to redistribute income, increase spending by $47 billion, and deny tax relief to middle-class families that pay taxes. We emphatically oppose the motion to waive.